Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 LA PAZ 00601 202242Z POSS DUPE
ACTION SS-25

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C O N F I D E N T I A L LA PAZ 601
EXDIS

FOR ASSITANT SECRETARIES KATZ AND TODMAN

E.O. 11652: GDS
TAGS: EMIN, BL, PINT
SUBJECT: GSA TIN SALES

REF: STATE 15733

1. I APPREICATE THE INFORMATION IN REFTEL WHICH INDICATES CLEARLY HOW I SHOULD HANDLE HERE THE PERENNIAL ISSUE OF GSA TIN SALES. (AS AN IDICATION OF THE CONTINUAL LEVEL OF INTEREST HERE THE FRON PAGE ARITICLE IN PRESENCIA THIS MORNING CITES A US DEPARTMENT STATE OFFICIAL IN LONDON AS PREDICTING AN ADMINISTRATION/CONGRESSIONAL COMPROMISE UNDER WHICH 20,00-50,000 TONS OF GSA TIN WILL BE SOLD STARTING IN JULY 1978.) I UNDERSTAND THE REASONS WHY GSA SALES IN LATE 1978 MAKE SENSE IN TERMS OF US ECONOMIC INTERESTS AND THE LONG-TERM HEALTH OF THE TIN MARKET. THE BOLIVIANS ARE IN A PECULIAR POSITION AMONG THE TIN PRODUCERS, AND IT DOES NOT MAKE SENSE TO GEAR OUR TIN POLICY TO THEIR NEEDS. IN NORMAL TIMES WE WOULD ALSO BE ABLE TO HANDLE THE POLITICAL FALLOUT HERE, RECOGNIZING THAT THE BOLIVIANS WILL MOAN ABOUT ANY GSA TIN SALES ANY TIME.

2. BECAUSE THESE ARE NOT NORMAL TIMES, NOT IN BOLIVIA AND NOT IN TERMS OF THE IMPORANCE OF BOLIVIAN POLITICAL DEVELOPMENT TO US CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LA PAZ 00601 202242Z POSS DUPE

INTERESTS, WE ILL, HOWEVER, HAVE TO PROCEED WITH CAUTION THIS YEAR. IF ALL GOES WELL--AND WE CANNOT YET BE SURE IT WILL--BOLIVIA WILL BE THE FIRST OF LATIN AMERICA'S MILITARY GOVERNMENTS TO HOLD ELECTIONS, JULY 9, RETURNING THIS COUNTRY TO CONSTITUTIONAL RULE. THAT ELECTED GOVERNMENT WILL INHERIT A FALTERING ECONOMY AND MOST PROBABLY A FINANCIAL CRISIS. UNDER PRESENT PLANS WE WILL RESPOND WITH A CUT OF AT LEAST

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

25 PERCENT IN OUR AID PROGRAM EVEN IF CONGRESS APPROVES THE
FULL REQUEST LEVEL FOR FY 79. BOLIVIANS WILL HAVE A HARD TIME
UNDERSTANDING THE REASONS FOR THIS CUT WHICH WILL BE NATIONAL
NEWS WHEN THE AID PROGRAM SUBMISSION GOES TO CONGRESS. I
WILL HAVE A GREAT DEAL OF TROUBLE EXPLAINING THIS AS WELL. I
UNDERSTAND THAT THE DECISION WAS BASED IN SIGNIFICANT PART
ON HUMAN RIGHTS CONSIDERATIONS. BUT I CANNOT SAY HERE THIS
SPRING THAT WE ARE SLASHING OUR AID TO BOLIVIA'S FIRST ELECTED
GOVERNMENT IN 12 YEARS BECAUSE WE DID NOT LIKE SOME OF THE
HUMAN RIGHTS PRACTICES--NOW SIGNIFICANTLY CHANGED--OF THE
PREVIOUS, MILITARY GOVERNMENT. THAT FRANKNESS WOULD TAX BOLIVIANS'
FAITH IN THE RATIONALITY AND HUMANENESS OF THE US GOVERNMENT.

3. IT IS AGAINST THIS BACKDROP THAT LARGE GSA SALES BEGINNING
IN THE FIRST FIVE MONTHS OF THE ELECTED GOVERNMENT, TO TAKE OFFICE,
HOPEFULLY, IN AUGUST 1978, WOULD BE JUDGED HERE. THESE
SALES OBVIOUSLY WILL HAVE SOME EFFECT ON THE TIN PRICE. IT WOULD
BE CERTAIN THAT ALL SEGMENTS OF BOLIVIAN SOCIETY WOULD AT
THIS POINT BE INCREDULOUS AS TO WHY THE USG, WHICH HAD A
RELATIVELY CLOSE AND PRODUCTIVE ECONOMIC RELATIONSHIP
WITH THE MILITARY GOVERNMENT, WAS MOVING DECISIVELY TO POUND
A DEMOCRATIC GOVERNMENT IN ITS FIRST MONTHS IN OFFICE WITH TWO
HIGHLY VISIBLE BLOWS TO ITS ECONOMIC PROSPECTS AT A TIME WHEN
THOSE PROSPECTS MAY BE THE MAJOR THREAT TO SURVIVAL OF THAT
DEMOCRATIC GOVERNMENT. I AM AFRAID THAT THIS WORST-CASE
SCENARIO MAY WELL BE THE MOST LIKELY ONE BY MID-YEAR.
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4. I CONTINUE TO BELIEVE THAT THE BEST WAY TO MAXIMIZE ALL US
OBJECTIVES INVOLVED IS NOT TO MAKE POLITICS OF TIN POLICY, BUT
TO GET THE REST OF THE GAME RIGHT, THAT IS, THOSE US INSTRUMENTS
THAT ARE MORE SPECIFICALLY TARGETABLE AT THE BOLIVIAN RELATIONSHIP.
AND I AM OPTIMISTIC ENOUGH TO BELIEVE THAT A CAREFULLY TIMED
AND CAUTIOUSLY IMPLEMENTED PROGRAM OF GSA TIN SALES COULD BE
TOLERATED WITHIN THE US-BOLIVIAN RELATIONSHIP IF, AND ONLY IF,
THOSE OTHER INSTRUMENTS ARE BEING USED RIGHT.

5. WHAT DOES RIGHT MEAN?

6. THE CRITICAL INSTRUMENT IS OUR PROPOSED PL-480 TITLE III
PROGRAM. ECONOMICALLY, THIS IS JUST THE KIND OF ASSISTANCE
THE GOB WILL NEED FOR THE NEXT FEW YEARS. USE OF THE PESO
COUNTERPART FOR THE RURAL POOR FITS THIS COUNTRY'S DEVELOPMENT
NEEDS AND ITS OWN STRATEGY; THE BALANCE OF PAYMENTS SUPPORT
ON VERY GENEROUS TERMS WILL BE SORELY NEEDED. POLITICALLY,
THIS WOULD BE A NEW, LARGE, MULTI-YEAR US PROGRAM COMING INTO
EFFECT AT JUST THE RIGHT MOMENT FOR BOLIVIA AND THE US. I VERY
MUCH HOPE WASHINGTON WILL APPROVE THE 150,000 METRIC TONS OF
WHEAT, ORIGINALLY REQUESTED FOR FY 1978, RATHER THAN THE REDUCED

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

PROGRAM WHICH I UNDERSTAND IS BEING CONSIDERED.

7. SECOND, IF ELECTIONS PROCEED SMOOTHLY WE SHOULD, THROUGH REPROGRAMMING, UNDO THE MISTAKE WE MADE WHEN THE FY79 AID PROGRAM REQUEST FOR BOLIVIA WAS CUT SO SHARPLY. THE AMOUNTS INVOLVED ARE LESS SIGNIFICANT THAT THE PL-480 TITLE III PROGRAM, BUT THE POLITICAL IMPACT WILL BE IMPORTANT.

8. THIRD, WE SHOULD IN THE NEXT FIVE MONTHS TRY TO AVOID COMMITMENTS ON THE QUANTITY AND TIMING OF ANY GSA TIN SALES IN THE SECOND HALF OF 1978. WE CAN THEN RETRAIN THE FLEXIBILITY WE NEED TO DETERMINE AT MID-YEAR JUST WHAT KIND OF SALES PROGRAM WILL MEET OUR COMMITMENT NOT TO DISRUPT THE TIN MARKET (AND THEREBY HIT THE NEW GOB IN THE WRONG PLACE AT THE WRONG TIME).
CONFIDENTIAL

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PAGE 04 LA PAZ 00601 202242Z POSS DUPE

9. I WOULD APPRECIATE YOUR CONTINUING TO KEEP ME INFORMED OF DEVELOPMENTS IN YOUR PLANS ON GSA SALES. ALSO, I WOULD APPRECIATE AT LEAST SIMULTANEOUS NOFIFICATION OF ANY CONSULTATIONS YOUR CARRY OUT WITH THE BOLIVIAN EMBASSY IN WASHINGTON. WITH CHARLIE ITURRALDE AS AMBASSADOR YOU WILL HAVE SOMEONE TO TALK TO ON TIN, BUT HE IS A RED-HOT ON THE SUBJECT AND CAN GET THIS GOVERNMENT VERY EXCITED. WE WILL NEED TO SETTLE THEM DOWN MANY TIMES OVER COMING MONTHS ON THIS TOPIC.

10. I AM SURE YOU HAVE NOT MISSED IT, BUT THE MESSAGE IS, BRIEFLY, THAT THIS SET OF ISSUES IS ONE ON WHICH THE BUREAUS AND AGENCIES CANNOT MAKE ISOLATED DECISIONS WITHOUT RISKING AN AGGREGATION OF SEPARATE ACTIONS THAT AMOUNTS TO A BIG SETBACK FOR OUR INTEREST IN RETURN TO CONSTITUTIONAL GOVERNMENTS IN SOUTH AMERICA. THERE IS A MIX OF POLICY DECISIONS THAT WILL ALLOW US TO DO WHAT WE NEED TO DO ON GSA TIN SALES. BUT I HOPE THAT BOTH OF YOU WILL SEE THAT YOUR PEOPLE KEEP THEIR EYE ON THE MIX, NOT JUST ITS COMPONENTS.
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Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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US Department of State
EO Systematic Review
20 Mar 2014
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